

September 29, 1999

Clinton Insistence on Spending Will Bust the Budget Caps **The Problem's Not "Under-Funding," It's Over-Requesting**

President Clinton is finding it politically expedient to accuse Republicans in Congress of causing the sky to fall as a result of what he terms "under-funding": he and his liberal allies in Congress paint bleak scenarios of education, veterans, and health programs all at risk. But this is a charge based on deception. The President compares the inflated spending levels he desires with the spending caps set in law by the balanced budget agreement of 1997, and the difference he calls a "cut." Bear in mind that these are the same spending caps that President Clinton agreed to adhere to, but, by using this deceit, he tries to have it both ways: he offers higher spending, yet doesn't admit to renegeing on the 1997 agreement.

The sky is far from falling. What taxpayers need to be concerned about is not "under-funding" of government, but rather the President's *over-requesting* — his insistence of spending beyond the government's means or needs. This paper examines in detail the federal government's discretionary spending trends and makes two important findings:

- ▶ First, the Clinton Administration has made no effort whatsoever to try and adhere to the agreement on spending limitations the President made in 1997.
 - Instead, President Clinton has tried to hide his requests for additional discretionary spending: his budget includes tax-and-fee increases, but he only talks about the "net" amount.
 - The budget agreement and the budget rules Congress must follow expressly prohibit the use of new taxes to pay for new discretionary spending. Clinton's trick clearly violates the agreement: to control spending. Period.

Clinton: Over the Caps

	2000	2001	2002	Over Caps
OMB's End-of-Session Discretionary Spending Caps	579.7	574.7	568.7	
Clinton FY 2000 Budget Proposal	597.3	609.0	626.2	109.4

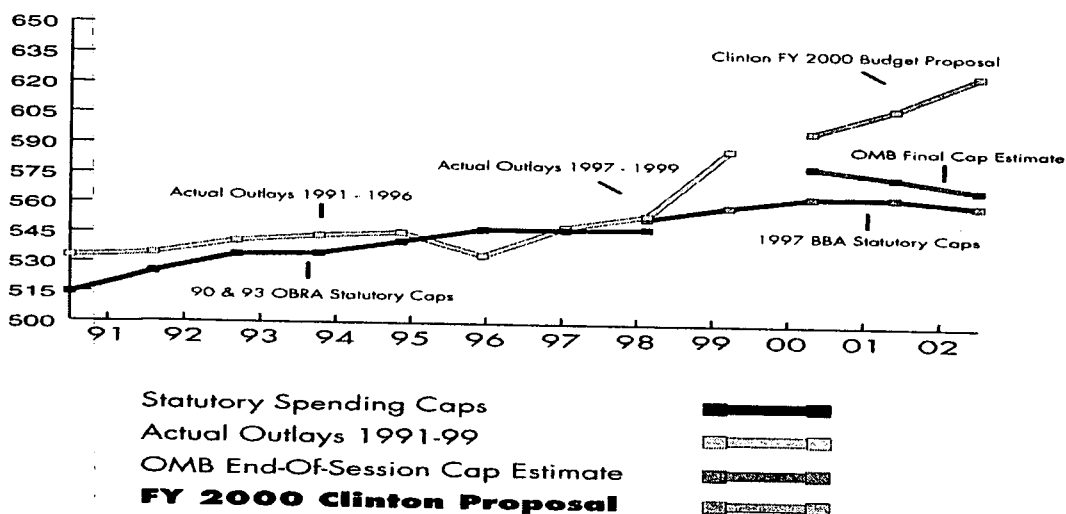
► And, secondly, discretionary spending has not been underfunded.

— A look at the historical spending trends makes clear that the government's annually appropriated accounts (discretionary spending) have not been underfunded.

— This fact holds true when we compare spending increases to inflation, and especially holds true when taking into account that "emergency spending" and technical adjustments have allowed significant increases in the discretionary spending caps over the years.

Discretionary Spending: 1991-2002

(Outlays In Billions of Dollars and Fiscal Years)



* Actual outlays category reflects technical and emergency adjustments
 ** Source: OMB

Clinton Isn't Even Trying to Limit Spending

The President can't have it both ways. He cannot make spending requests above the budget caps and at the same time claim to adhere to them. The White House's own budget estimator, the Office of Management and Budget (OMB), in its own "Mid-Session Review" (released on June 28) and its "Sequestration Update Report" (released on August 25) show that the President's proposals for FY 2000 total \$597.3 billion — nearly \$18 billion above and beyond the \$579.7-billion spending cap that OMB says will exist at the end of this session of Congress. (Meanwhile, the Congressional Budget Office provided Congress a figure of \$578.4 billion for budget-writing purposes.)

The President breaks the caps not just in the year 2000 but in 2001 and 2002 as well — for a three-year total of \$109.4 billion. Coincidentally, the President's budget contains roughly \$100 billion in net new taxes, as well. However, the President's new taxes don't change the picture: the proposal violates both the spirit of 1997's balanced budget agreement and the letter of the budget rules which Congress must follow. The agreement and the budget rules both prohibit using new tax revenues to pay for new discretionary spending. The purpose of the caps, after all, was to limit spending.

Discretionary Spending Has Not Been Under-Funded

Over the last 22 years, discretionary spending has, on average, exceeded inflation, according to the Historical Tables presented with Clinton's FY 2000 budget. Starting from the depths of the Carter defense decreases in 1978, through the Reagan restoration, and extending into the Clinton defense cuts of 1999, discretionary spending increased an average annual rate of 4.8 percent while inflation increased an average of 4.5 percent (as commonly measured by the CPI-U).

Discretionary Spending: 1978-1999

(Outlays In Billions Of Dollars And Fiscal Years)

Fiscal Year	Inflation Increase %	Discretionary Spending	Discretionary Increase %	Defense Spending	Defense Increase %	Non-Defense Spending	Non-Defense Increase %
1978		218.5		104.6		113.9	
1979	8.9	239.7	9.7	116.8	11.7	122.9	7.9
1980	11.2	276.1	15.2	134.6	15.2	141.5	15.1
1981	10.0	307.8	11.5	158.0	17.4	149.8	5.9
1982	7.0	325.8	5.8	185.9	17.7	139.9	-6.6
1983	4.4	353.1	8.4	209.9	12.9	143.2	2.4
1984	4.3	379.2	7.4	228.0	8.6	151.2	5.6
1985	3.7	415.7	9.6	253.1	11.0	162.6	7.5
1986	2.4	438.3	5.4	273.8	8.2	164.5	1.2
1987	2.9	444.0	1.3	282.5	3.2	161.5	-1.8
1988	4.1	464.2	4.5	290.9	3.0	173.3	7.3
1989	4.7	488.6	5.3	304.0	4.5	184.6	6.5
1990	5.1	500.3	2.4	300.1	-1.3	200.2	8.5
1991	5.0	533.0	6.5	319.7	6.5	213.3	6.5
1992	3.0	534.3	0.2	302.6	5.3	231.7	8.6
1993	3.1	540.7	1.2	292.4	-3.4	248.3	7.2
1994	2.6	543.6	0.5	282.3	-3.5	261.3	5.2
1995	2.8	545.4	0.3	273.6	-3.1	271.8	4.0
1996	2.8	534.2	-2.1	266.0	-2.8	268.2	-1.3
1997	2.6	548.6	2.7	271.7	2.1	276.9	3.2
1998	1.6	554.7	1.1	270.2	-0.6	284.5	2.7
1999*	2.2	581.2	4.8	277.0	2.7	303.7	6.7

Average %: Average Rate Of Growth

1978-99	4.5	4.8	4.8	4.8
1980-99	3.9	4.0	3.9	4.1
1990-99	2.9	1.7	-0.9	4.7
1993-99	2.5	1.2	-0.9	3.4

Source: OMB & CBO
*Estimate By OMB

However, a more striking — and more accurate — comparison is possible when defense spending is removed.

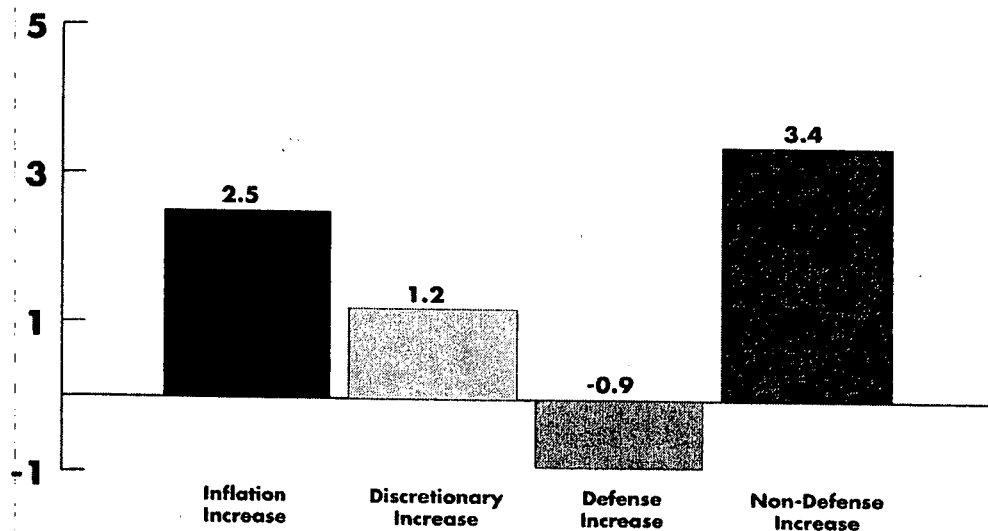
Non-defense discretionary (NDD) spending, the only kind that concerns the Clinton Administration, has continuously outstripped inflation:

- ▶ The 1978-1999 period saw (average annual) inflation of 4.5 percent, but (average annual) spending increased by 4.8 percent;
- ▶ The 1980-1999 period experienced inflation of 3.9 percent, but NDD spending increased 4.1 percent;
- ▶ The 1990-1999 period saw an average annual inflation of 2.9 percent, but spending grew by 4.7 percent; and
- ▶ The 1993-1999 period's average inflation rate was 2.5 percent, but spending grew by an annual average of 3.4 percent.

In contrast to what the Clinton Administration and other liberal critics would like to claim, non-defense discretionary spending has done quite well for itself historically — even under the current caps.

Average Discretionary Spending: 1993 - 1999

Percentage Increase of Outlays



Source: OMB & CBO

Discretionary Spending Caps Are Nothing New . . .

The concept of capping discretionary spending by law dates back to in the Omnibus Reconciliation Act of 1990 (OBRA). The statutory caps were extended again in OBRA 1993 and

Discretionary Spending: 1991-2002

(Outlays In Billions Of Dollars And Fiscal Years)

	1990 & 1993 OBRA Statutory Limits							1997 BBA Statutory Limits				
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Statutory Spending Limits	514.4	524.9	534	534.8	540.8	547.3	547.3	553.3	559.3	564.3	564.4	560.8
Outlays 1991-99	533.0	534.3	540.7	543.6	545.4	534.2	548.6	554.7	587.9*	NA	NA	NA
OMB End-Of-Session Cap Estimate									584.3	579.7	574.7	568.7
FY 2000 Clinton Proposal										597.3	609.0	626.2

*Estimate by OMB

**Source: OMB Sequestration Update Report, 8/25/99

again in the Balanced Budget Act of 1997. At the time they were extended in BBA 1997, the 1998 outlay limit was also slightly raised by \$6.9 billion (and the budget authority limit lowered by \$6.9 billion). The caps have also have been continually adjusted for technical reasons — hence the reason for the difference between the statutory limits, the actual outlays, and OMB's latest estimate (8/25/99) of where the spending limit will be after the end of the current session of Congress.

Technical adjustments arise from such things as changes in concepts and definitions, inflation, credit reestimates, IMF contributions, debt forgiveness, or from changes in law, such as the adjustments linked to the Transportation Equity Act (TEA-21) that was signed into law in 1998.

Adjustments To Discretionary Spending Caps: 1991-2002

In Billions Of Dollars and Fiscal Years

(Numbers May Not Add Due To Rounding)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Statutory Caps as Set by OBRA 1990 & OBRA 1993												
BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6				
Outlay	514.4	524.9	534	534.8	540.8	547.3	547.3	547.9				
1997 BBA Cap Statutory Levels												
BA								526.9	533	537.2	542	551.1
Outlay								553.3	559.3	564.3	564.4	560.8
Current (8/25/99) OMB Adjusted Cap Level												
BA	537.1	536.6	535.7	525.1	511	526.7	539.7	533.5	582.1	536.3	541.3	550.4
Outlay	551.6	545.7	550.4	547.6	548.6	552.7	553.7	560.2	583.9	575.8	572.9	567.8
Total Adjustments**												
BA	45.4	33.2	24.2	14.3	-6.7	7.6	11.6	6.6*	49.1	-0.9	-0.7	-0.7
Outlay	37.2	20.8	16.4	12.8	7.8	5.4	6.4	6.9*	24.6	11.5	8.5	7

Source: OMB Sequestration Update Report 8/25/99

*Adjustments made to 1998 caps, other than by BBA 1997, are not included.

**Total Adjustments Include: Changes in Concepts and Definitions; Emergency Spending; Adjustments for Continuing Disability Reviews; Contributions To International Organizations (including \$1 billion to UN and \$17.9 to IMF in 1999, and Earned Income Credit Compliance Review Initiative (Proposed By Administration); and TEA-21 Net Adjustments.

However, the most notable adjustment to the caps occurs as a result of emergency spending. Under the budget rules, spending jointly designated as an emergency by the President and Congress results in an upward adjustment of the caps by an equivalent amount. Rather, such spending results in the adjustment of the caps to accommodate the increased spending (budget authority in the year designated and outlays as they occur).

Emergency Discretionary Spending: 1991-2002

In Billions Of Dollars And Fiscal Years

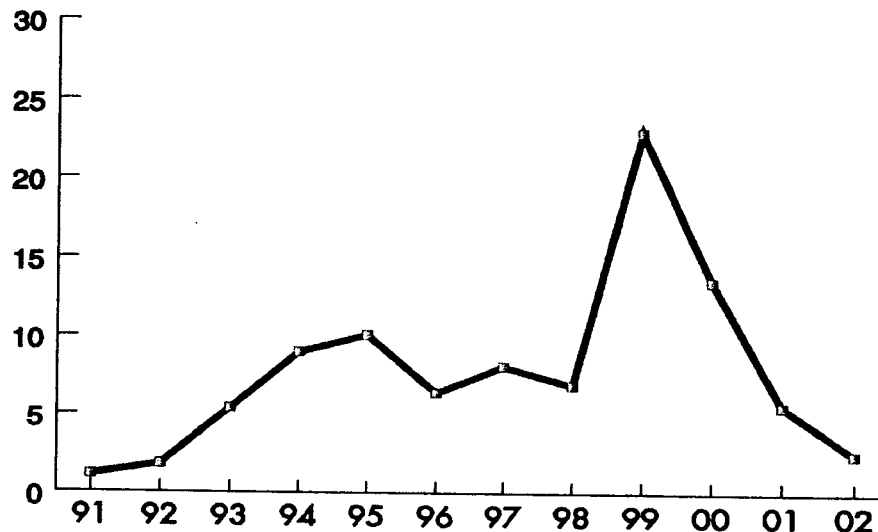
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Emergency Adjustments	Actual											
BA	0.9	8.3	4.6	12.2	7.7	5.1	9.3	5.7	30.8	0	0	0
Outlay	1.1	1.8	5.4	9	10.1	6.4	8.1	6.9	22.6	8.7	3.7	1.7
Desert Storm/ Desert Shield Adjustment												
BA	44.2	14	0.6	•	•							
Outlay	33.3	14.9	7.6	2.8	1.1							

*2000, 2001, and 2002 based on actions taken thus far
Source: OMB Sequestration Update Report, 8/25/99

Emergency spending designations exhibited an upward trend from 1991 to 1995, when they fell and held steady until 1998. (Operation Desert Storm/Desert Shield, while certainly a real-life emergency, was specifically exempted from the caps.) The 1999 emergency spending represented a sharp spike in the emergency spending trend.

Emergency Discretionary Spending: 1991-2002

(Outlays In Billions of Dollars and Fiscal Years)



(Does Not Include Outlays Resulting From Desert Storm / Desert Shield)
Source: OMB Sequestration Update Report, 8/25/99

... But, the Spending Problem Started with Clinton

And so we have a budget picture like this: non-defense discretionary spending has been more than keeping pace with inflation; and the caps have been adjusted upward for technical reasons as well as for emergency spending. Yet, this still is not sufficient for the Clinton spending machine.

According to the Administration's own estimators, President Clinton's budget busts the adjusted spending caps by \$109 billion over the next three years. These are limits he himself agreed to. Evidently it is now a promise he now intends to break — 109 billion times.

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